



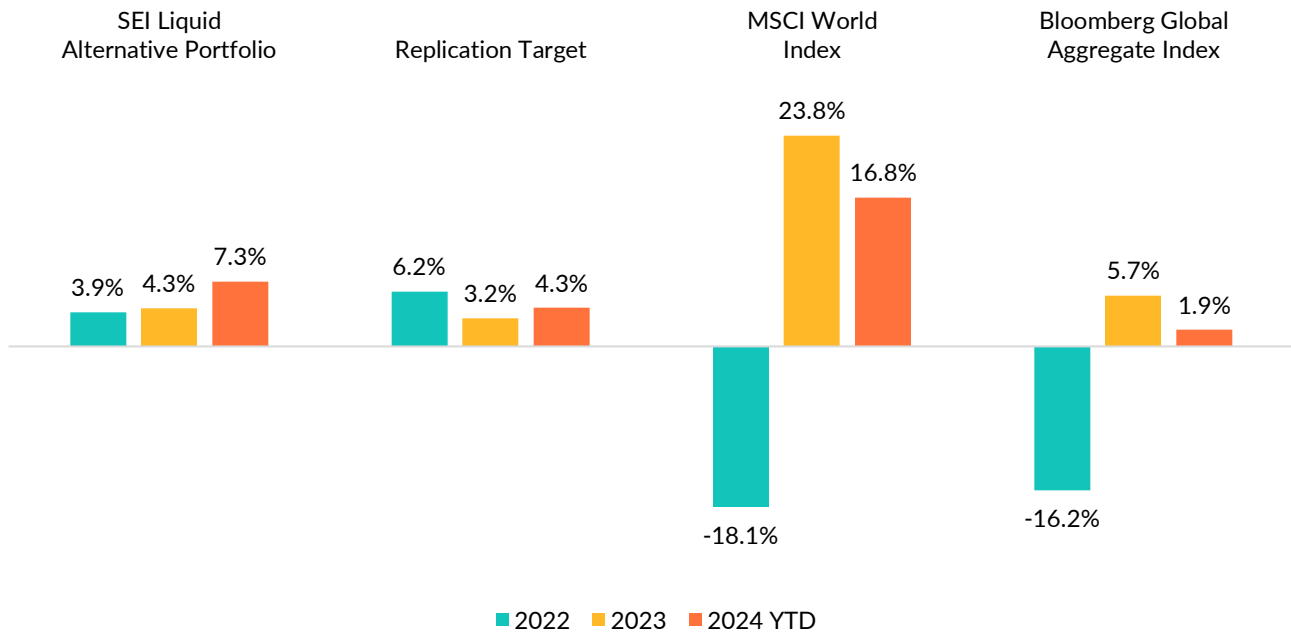
SEI LIQUID ALTERNATIVE FUND

AUGUST 2024

Dear Colleagues:

The Portfolio¹ declined **-1.1%** in August and is up **7.3%** YTD in 2024, approximately 300 bps ahead of the Target portfolio of seventy leading hedge funds. The MSCI World Index rose 2.6% for the month and is up 16.8% year-to-date, while the Bloomberg Global Aggregate Index bounced 2.4% and now is up 1.9 this year.

Performance



*Source: DBi and Bloomberg. Data as of August 31st, 2024

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A “mini freak out.”

As alluded to last month, the markets went slightly haywire in early August. A shift in macroeconomic data plus technical factors drove wild moves across multiple asset classes. For a few brief days, bonds rose while stocks fell, a faint echo of the diversification benefits bonds had provided in the 2000s and 2010s, and several smart money trades were unwound. Then everyone took a deep breath, markets stabilized, equities recovered and the mini freak out soon felt like a distant memory.

On the allocator front, there has been much talk recently about bringing the “index revolution” to the alternatives space. Expect a lot more. And be prepared to ask tough questions. For instance, State Street Global Advisors recently launched the Global Alternative Beta fund, which perplexing seeks to replicate a UCITS hedge fund index that has delivered 1.2% per annum over twenty years (less than cash), with a max drawdown of 25%, Sharpe ratio of 0.2 and correlation to equities of 0.8. State Street also has decided to launch a private credit ETF that relies on Apollo to not only build the portfolio, but stand ready to buy illiquid assets from said ETF – the equivalent of asking a wolf to guard your newly hatched chicks. The commercial opportunity, and potential benefit to allocators, is real; however, like the broader liquid alternatives space, most products are likely to be far better for asset managers than clients. Should any of you wish to discuss the broader landscape and historical precedents with us, please do not hesitate to reach out.

The **Strategic Alpha** (Multi-Strategy) replication portfolio returned **0.03%** in August and is up **5.8%** for the year, slightly behind the performance of the Target portfolio of Equity Long/Short, Relative Value and Event-Driven. Gains in equities were offset by losses on a hedge in the US dollar. A yield curve steepener modestly contributed to gains. Since inception, we estimate that the replication portfolio has delivered approximately 90% of pre-fee returns of the Target, with a correlation of around 0.80, and approximately 150 bps per annum of alpha – yet with daily liquidity.

The **Tactical Alpha** (Managed Futures) replication portfolio declined **-2.7%** in August and has gained **9.8%** in 2024, over 800 bps ahead of the Target portfolio of managed futures hedge funds. Like most macro hedge funds, the portfolio was not positioned well for the “mini freak out.” Caught in some of the reversals described above, were shorts in the Japanese Yen and US Treasuries. We note that there was a substantial derisking in this portfolio early in August. Since inception, the replication portfolio has doubled the performance, net of fees, and has generated over 300 bps per annum of alpha relative to the Target hedge funds.

Please do not hesitate to reach out with any questions or comments.

All the best,
The DBi Team

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SOURCES

Some of the information presented in this document includes information that has been obtained from third-party sources. DBi is the source and owner of all DBi performance information.

GLOSSARY OF TERMS

Alpha represents the portion of a fund return not attributable to beta.

Annualized Standard Deviation measures the annualized volatility of an asset over multiple time periods.

Beta is a measure of systematic risk of a fund compared to a market index.

Compounded Annual Return measures the annual rate of return of an asset over multiple time periods.

Maximum Drawdown measures the peak to trough decline of investment performance over a given period of time.

Sharpe Ratio measures the risk-adjusted returns of a fund and is a ratio equal to the annualized excess returns of the fund divided by its annualized standard deviation.

INDEX DEFINITIONS

The SG CTA Index is an index published by Société Générale that is designed to reflect the performance of a pool of Commodity Trading Advisors (CTAs) selected from the largest managers open to new investment and report returns on a daily basis. The index is equal-weighted and rebalanced annually. (Source Bloomberg. Ticker: NEIXCTA Index)

The MSCI World Index is an index maintained by MSCI that reflects the performance of large and mid-cap equities across 23 developed markets with net dividends reinvested. (Source Bloomberg. Ticker: M1WO Index)

Additional definitions available upon request.

¹ Performance of the portfolios managed by DBi, net of estimated fees and expenses. Please consult SEI directly for performance of individual share classes.